

Defining the Terms

The person selling the life insurance policy is the **viator**. He or she will get money from the settlement. This person gives up ownership of the policy in return for cash now. The viator generally has a terminal illness.

A **viatical settlement provider** is the person or company that buys the life insurance policy. The buyer becomes the policy owner, and must pay any premiums that are due, and eventually collects the entire death benefit from the insurance company.

The person or company who represents the seller (viator) and can “shop” for viatical offers is a **viatical settlement broker**. The buyer pays the broker a commission if the sale is completed.

An **Accelerated Death Benefit (ADB)** is a feature of a life insurance policy that typically pays some or all of the policy’s death benefit before the insured dies. It may be another way to get cash from a policy without selling it to a third party.

Questions to Consider

- Do I still need life insurance protection?
- If I sell my policy, how do they decide how much cash I get?
- Is this an employer or other group policy? If so, do I need their permission to sell it?
- If I sell my policy, who will be the legal owner?
- Do I need the advice of a tax or estate planning advisor before I decide to sell my policy?
- Will investors have specific information about me, my family or my health status?
- Is the broker or company I plan to sell to allowed to do business in my state?
- After I sell my policy, can it be resold by the buyer?

Consumer Alert

If you’re asked to invest in or buy a viatical settlement, we recommend you contact your state insurance department to learn more about the issues and risks.

If you’re interested in selling your life insurance policy, you should contact your state insurance department for more information.

If you’ve been contacted by someone who wants you to buy a policy and then sell it immediately, you should contact your state insurance department. It’s possible you’re being targeted to participate in fraud.

Check With Your State

Your state insurance department may regulate viatical settlements transactions. Contact your state insurance department for a copy of those regulations.

Arkansas Insurance Department

We work for you!



Consumer Services Division

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Selling Your Life Insurance Policy:

Understanding Viatical Settlements



Understanding Viatical Settlements

People living with a terminal illness often face very tough financial choices. A viatical settlement is one option that can give you cash to help with expenses.

A viatical settlement is the sale of a life insurance policy to a third party. The owner of the policy sells it for a percent of the death benefit. The buyer becomes the new owner and/or beneficiary of the life insurance policy, pays all future premiums and collects the entire death benefit when the insured dies.

A viatical settlement may or may not be the right choice for you. Your state insurance department, along with the National Association of Insurance Commissioners (NAIC), is concerned that many consumers may not fully understand viatical settlements. Please continue reading before you make any decisions.

Know Your Options

Before you enter into any viatical settlements transaction, you should:

- Contact your insurance agent or company for information about viatical settlements.
- Consult with your own financial advisor who knows your personal financial needs.
- Contact your state insurance department for information about current laws.

Consider All Your Options

Find out if you have any cash value in your life insurance policy. You may be able to use some of the cash value to meet your immediate needs and keep your policy in force for your beneficiaries.

You may also be able to use the cash value as security for a loan from a financial institution.

Find out if your life insurance policy has an **accelerated death benefits** provision. It could pay you a substantial portion of your policy's death benefit and you wouldn't have to sell your policy to a third party.

Other Considerations

- Contact a professional tax advisor. Find out the tax implications. Not all proceeds are tax free.
- Know that the proceeds are subject to the claims of any creditors.
- Find out if you will lose any public assistance benefits such as food stamps or Medicaid if you get a cash settlement.
- Understand you will be required to provide certain medical and personal information.

Consumer Tips

- Understand how the process works and when different phases will happen.
- Decide whether to sell your policy directly to a viatical settlement broker who will do the comparison shopping for you.
- If you don't use a viatical settlement broker, comparison shop on your own.
- You don't have to accept any viatical settlement offer.
- Check all application forms for accuracy, especially information about your medical history.
- You must be truthful in your answers to application questions.
- Make sure the viatical settlement provider agrees to put your settlement proceeds in escrow with an independent party or financial institution to make sure your funds are safe during transfer.
- Find out if you have the right to change your mind about the viatical settlement after you get the proceeds. If you have the right, you'll have to return the money you were paid and the premiums the buyer paid. In many states you have the right to change your mind for a certain period of time.
- Understand what information the buyer must know about you to buy your policy, and who else might get that information.